

Service Date June 13, 1966

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the application)	UTILITY DIVISION
of MONTANA-DAKOTA UTILITIES)	
COMPANY for an increase in)	DOCKET NO. 5547
natural gas rates in the)	ORDER NO. 3163
territory served by the company)	
in the State of Montana and in)	
the Vicinities thereof.)	

IN THE MATTER OF of the)	UTILITY DIVISION
application of MONTANA-DAKOTA)	
UTILITIES COMPANY for an increase)	DOCKET NO. 5472
in natural gas rates at Saco,)	ORDER NO. 3163
Montana and Vicinity.)	
)	

On August 18, 1965 the Montana-Dakota Utilities Company (hereinafter referred to as the company) filed with this Commission a petition for authority to increase its rates and charges for natural gas service in Montana except at Saco, Montana. The Commission assigned this petition to Docket No. 5447.

On October 18, 1965 the company filed with this Commission its petition to increase its rates and charges for natural gas service at Saco, Montana. The Commission assigned this petition to Docket No. 5447.

In both instances the Commission adopted a split-hearing procedure. After proper notice the first half of the Docket No. 5447 hearing was held at Billings, Montana on September 21, 1965 and the second-half at Billings, Montana on November 30, 1965. The first-half of the Docket No. 5472 hearing was held at

Billings on December 2, 1965, and the second-half at Saco on January 11, 1966.

APPEARANCES:

Earl H. A. Isensee, Attorney at Law, 831 Second Avenue South, Minneapolis, Minnesota, appearing for the applicant.

Thomas N. Kelley and Arthur F. Lamey, Jr., of the law firm of Crowley, Kilbourne, Haughey, Hanson and Gallagher, 500 Electric Building, Billings, Montana, appearing for the applicant.

Raymond Hildebrand, Attorney at Law, Box 811, Glendive, Montana, appearing for the applicant.

Henry Loble of the law firm of Loble, Picotte and Fredricks, 104 North Jackson, Helena, Montana, appearing for the applicant.

PROTESTANTS:

John C. Sheehy of the law firm of Wiggenhorn, Hutton, Schiltz and Sheehy, 403 Electric Building, Billings, Montana, appearing for the Great Western Sugar Company

Edward A. Walsh, General Counsel for the Great Western Sugar Company, Denver, Colorado, appearing for the Great Western Sugar Company.

Hugh Sweeney of the law firm of Hibbs, Sweeney and Colberg, 2619 1st Avenue North, Billings, Montana, appearing for Holly Sugar Corporation.

John B. Evans, Secretary and General Counsel for the Holly Sugar Corporation, Colorado Springs, Colorado, appearing for the Holly Sugar Corporation.

Howard C. Foreman, Attorney at Law, Box 1531, Billings, Montana, appearing for the Billings Gas Users Association.

Patrick J. McDonough, Attorney at Law, 722 Midland National Bank Building, Billings, Montana, appearing for the Billings Gas Users Association.

Russell L. Culver, Attorney at Law, Baker, Montana, appearing for the City of Baker, Montana and the Baker Chamber of Commerce.

John M. Schiltz., of the law firm of Wiggenhorn, Hutton, Schiltz and Sheehy, 403 Electric Building, Billings, Montana, appearing for the Great Western Sugar Company.

Gene Huntley, Attorney at Law, Baker, Montana, appearing for the City o, Baker; Baker Chamber of Commerce; Fallon County; Fallon

County School District No. 12; and individually.

Bruce M. Brown, Attorney at Law, Box 127, Miles City, Montana, appearing for the Citizens Rate Committee, Custer County, Montana, Miles City, Montana; North-eastern Montana Gas Users Association and individually.

James A. McCann, Attorney at Law, Box 607, Wolf Point, Montana, appearing for the County of Roosevelt; City Council of Wolf Point; and Wolf Point Chamber of Commerce

Norman D. Evans, 1114 St. Johns Avenue, Billings, Montana, appearing for himself.

Louis Lamey, 5021 Bench Boulevard, Billings, Montana, appearing for himself.

H. J. Halmans, Baker, Montana, appearing for herself.

John Wight, 217 Heddin Building, Billings, Montana, appearing for himself.

Donald D. Cole, Attorney at Law, Malta, Montana, appearing on behalf of the Town of Saco, Montana and also various consumers in Saco, Montana and vicinity.

FOR THE COMMISSION:

William E. O'Leary, Counsel
William M. Johnson, Auditor
Thomas B. Hayes, Consultant

BEFORE:

LOUIS G. BOEDECKER, Chairman
ERNEST C. STEEL, Commissioner
PAUL T. SMITH, Commissioner

BY THE COMMISSION:

In both dockets the company's witnesses presented their testimony at the first-half hearings and were presented for cross examination at the second-half hearings. At the second-half hearings the Protestants were allowed to present witnesses who in turn were presented for cross examination.

In both of the above dockets counsel for the company and counsel for the Protestants requested that the evidence in each of the

dockets be considered in the other docket. The Commission concurred in this request and adopted the procedure requested.

THE MONTANA-DAKOTA UTILITIES COMPANY
INTEGRATED NATURAL GAS SYSTEM

The integrated natural gas system of the Montana-Dakota Utilities Company is located in Montana, North Dakota, South Dakota and Wyoming.

The original natural gas system centered around the Cedar Creek anticline in Fallon and Wibaux Counties, Montana and in Bowman County, North Dakota. This gas field is commonly referred to as The Baker field. In 1926 an 8" transmission line was constructed from the Baker field to serve natural gas to Glendive. In 1927 an 8" transmission line was constructed from the Baker field to serve Miles City and the intervening towns of Terry and Ismay. In 1928 a 4" line was constructed from the Baker field to serve the town of Marmarth, North Dakota. In 1928 a 12" transmission line was constructed from The Baker field to the Black Hills to serve the towns of Belle Fourche, Spearfish, Deadwood, Lead, Sturgis and Rapid City. Natural gas service was supplied to thee towns.

In 1930 a 12" transmission line was constructed from the Baker field eastward along the Northern Pacific Railway to serve Dickinson, Manda, Bismarck and the intervening towns. Also, in 1930 a line was constructed from Glendive north through Sidney and Fairview to Williston, and a 6" transmission line was constructed eastward from Marmarth to serve Rhame and Bowman.

Until 1940 the sole gas supply for the above system came from the Baker field. In 1940 an 8" transmission line was constructed to connect the Baden field near Saco, Montana, to the system previously described. This afforded a second source of supply to the system.

In 1929 a 4" line was constructed from the Bowdoin field to Malta and a 6" line from the Bowdoin field to Glasgow, Montana. In 1940 an 8" line was laid from a point near Glasgow, Montana, through Wolf Point to a point on the 12" line between Glendive and Williston approximately twelve miles north of Glendive. This line provided B gas supply from the Baden field to augment the gas supply from the Baker field and was utilized in providing gas service to the then existing system including the lines to Miles City, Glendive, Williston, Bismarck and the Black Hills.

In 1945 the company began to experience difficulties due to a deficiency in gas supply. It became necessary to limit gas service in various ways, including curtailment or elimination of service to large commercial and industrial customers, and to limit service to residential customers. Gas storage in the Baker field was started in 1945 using gas from the Baden field for injection to the storage reservoir. In 1950 a 12" transmission line was constructed from the Worland oil and gas field near Worland, Wyoming, to the Cabin Creek compressor plant of Montana-Dakota Utilities Company in the Baker field, Montana, a distance of approximately 335 miles. This was a major project for Montana-Dakota Utilities Company and was undertaken to provide an adequate gas supply for the system, including all customers in Montana. Upon completion of the line, on September 30, 1950, and of a compressor station near Worland, all restrictions on gas service in Montana and other areas served by the system were removed and gas has since been served on an unrestricted basis, except to customers served under contracts or rates permitting interruption.

On May 31, 1951, Montana-Dakota Utilities Company acquired certain gas utility properties of The Ohio Oil Company, now Marathon Oil Company, in the Billings, Montana and Powell,

Wyoming areas, including the Elk Basin underground gas storage reservoir.

At the time Montana-Dakota Utilities Company acquired these properties, it was in serious need of additional gas supplies. These properties, of which the Billings Gas Company was the principal part, were receiving their principal gas supply from the Elk Basin and Garland field areas in northern Wyoming. The Ohio Oil Company determined that it was necessary to conserve the gas supply in the Garland field to increase the ultimate oil recovery and this left the Billings Gas Company, and the acquired portions of The Rocky Mountain Gas Company, with very little gas supply. The total reserves available to these properties at the time of acquisition were approximately 28 billion cubic feet. The annual gas requirements in 1951 of The former Billings Gas Company were approximately 5 billion cubic feet and of The Rocky Mountain Gas Company about 1 billion cubic feet. The reserves then available represented about a four-year gas supply and the deliverability of this supply was much less than the maximum daily demand of the properties acquired it was necessary that additional gas be made available to these properties at once. A connection was made at Lovell to the Worland line on July 17, 1951, and gas from the system supply was delivered to the Billings division through existing facilities. In addition, construction was started on eight miles of 12" line between Lovell and the Garland plant to provide more capacity for transportation of gas from the Worland line and was completed in December, 1951. Gas supply from the system has been served to the acquired properties in substantial volume since that time.

In 1953 contracts were made with Socony Mobil Oil Company and other producers for a gas supply from various fields in the Big Horn Basin of Wyoming, which was to be processed through its Big Horn Plant near Manderson.

About this time Montana-Dakota Utilities Company experienced difficulties with its gas supply for markets in the Great Falls and Havre, Montana, areas. In 1954 a contract was made for the sale of the Great Falls and Havre properties to The Montana Power Company. As a part of this sale Montana-Dakota Utilities Company agreed to sell The Montana Power Company an average of ten million cubic feet per day for ten years. The Montana Power Company could, by displacement, then make an equivalent amount of gas available to the Great Falls-Havre area from the northern end of its system. Sale of gas under this contract terminated on December 31, 1964, in accordance with the contract terms. During the ten year term of this contract Montana-Dakota Utilities Company sold The Montana Power Company approximately 10,000 MCF of gas per day.

In 1954 contracts were made for purchase of residue gas from the gasoline plant of the Signal Oil and Gas Company and Amerada Petroleum Corporation at Tioga, North Dakota. In 1955 a 12" transmission line was constructed eastward from Tioga to Minot, and a 12" transmission line was constructed westward to Williston, with an emergency connection between the two. These lines were put into service on or about January 1, 1956. The installation of these lines marked the first use of gas from the Tioga-Beaver Lodge area for utility purposes in the Montana-Dakota Utilities Company's system. A small amount of gas was used in 1954 and 1955 to serve the town of Tioga, which was not then a part of any system.

Late in 1960 and early in 1961 contracts for additional gas from deeper horizons in the Tioga-Beaver Lodge area were made with Signal and Amerada. Contracts with Hunt Industries and Texaco, Inc. were also made for additional supplies of gas in the North Tioga and Lignite field areas in

North Dakota for delivery near McGregor, North Dakota.

Approximately 13 miles of 8" transmission line was constructed from

Tioga to McGregor A 12" transmission line was constructed from Minot to Bismarck in 1962 to connect the 12" line extending east from the Baker field to Bismarck with the Tioga to Minot line. This connecting line permits two-way service to market areas of the system, and in addition, was the means by which substantial additional reserves and increased daily quantities of gas were made available. It marked the completion of the system whereby it became wholly integrated, capable of providing a gas supply from several producing areas.

From the above the Commission finds that the natural gas system of the Montana-Dakota Utilities Company is a truly integrated system and that all the territory served by it in Montana is a part of and served by the integrated natural gas system of the company.

THE RATE BASE

The company presented the following valuations for the Montana portion of the integrated natural gas system as of December 31, 1964:

Reproduction Cost New (RCN)	\$56,272,878
Reproduction Cost New Depreciated (RCND)	46,924,199
Original Cost (OC)	36,244,084
Original Cost Depreciated (OCD)	24,965,351
Working Capital	862,419
Fair Value	39,626,877

The above claimed fair value included an amount for gas stored underground, non-current, of \$2,045,802, construction work in progress o, \$42,655. At the same time an amount for contributions in aid of construction of \$100,653 had been deducted The company determined the part of its integrated system devoted to serving

its Montana users by applying 38.9887% to its Gas Supply section of plant and 40.7243% to its Transmission, Gathering and Underground Storage section of plant. The Distribution section of plant was, of course, directly assignable to Montana. The 38.9887%. Figure was developed by determining the ratio of annual volume deliveries to Montana for 1964 to annual volume deliveries for 1964 from the integrated system. The 40.7243% figure was developed by the use of the ratio of Montana's three-day coincidental peak, December 15, 16 and 17, 1964, to the integrated system's three-day coincidental peak for the same days in 1964. With this method and results obtained therefrom the Commission finds no fault.

The company claimed as part o, the RCN valuations owned recoverable natural gas reserves of 149,903,241 MCF. These were valued at 54 per MCF or \$7,495,162. The Commission is of the opinion that these reserves have value and should be included in the fair value of the company's properties. It feels, however, that this type of valuation is too great, considering the original investment that obtained these reserves.

The Commission will consider these reserves at 3 per MCF in determining the fair value of the company's properties. This is in line with Willcox v. Consolidated Gas Company, 212 U.S. 19, 52, when the court said in holding that the company was entitled to a return based on the enhanced value of its proper ties in excess of original cost:

"This is at any rate, the general rule. We do not say there may not possibly be an exception to it, where the property may have increased so enormously in values as to render a rate permitting a reasonable return upon such increased value unjust to the public."

The protestants developed testimony as to the ratios between OC and OCD and between RCN and RCND or the per cent condition of the company's properties under RCND valuations and the per cent condition under the OCD valuations. The RCN per cent condition was arrived at through the use of observed or physical depreciation and the OC per cent condition was arrived at through the depreciation accruals resulting from the application of straight-line depreciation rates. The Commission is aware that it is impossible to arrive at per cent conditions of a company's properties, using observed and book depreciation separately,

that will be exactly the same. There has always been a variance in the per cent condition arrived at by using observed depreciation and the per cent condition arrived at by using book depreciation in every case heard by this Commission, where such type of evidence was introduced. The

variance, however, has never been as large as in the present instance. The Commission recommends to the company a remaining service life study to determine wherein the cause of the variance might lie. The Commission agrees with the protestants that the variance is too large and the Commission will bring the R.C.N. per cent condition into a closer relationship with the OC per cent condition in determining the fair value of the company's properties.

The figure presented by the company as Construction Work in Progress will not be used by the Commission in determining the fair value of the company's properties. As the Commission has done in the past it will allow one half the amount claimed for materials and supplies as being properly includable in the rate base As in previous cases in recent years, the Commission will determine present fair value in accordance with the framework set forth by the Montana Supreme Court in Tobacco River Power Company vs. Montana Public Service Commission (1940) 109 Mont, 521, 529-530, 98 Pac 2d, 886 as follows:

"It is observed from section 3884, supra, that considerable latitude is allowed the Public Service Commission in determining

value. Neither the Public Service Commission nor the utility company is limited to or bound by any particular method in arriving at the solution of the question of value. It must be borne in mind always that the ultimate fact to be determined is value upon which rates are based, which must of course be done under proper legal procedure and restrictions.

"The cost of reproduction new, less depreciation, is usually regarded as one of the most important if not the dominant, factor, in the determination of value. (51 CJ 17) Under the section of the Montana Code cited, assessment rolls are likewise admissible as evidence of value, but of course are not exclusive. When the State condemns property of a landowner it frequently resorts to assessed valuations as evidence, but more often than not the jury will determine damages and valuation in excess of that set out in the assessment rolls. Original cost, assessment values, cost of reproduction new, prudent investment theory, public records mentioned in section 3884, supra, and opinions of value are means to an end, namely the determination of value,"

After due consideration of the elements of value set forth above and after giving due weight to valuation changes herein before discussed the Commission sets the present fair value of the Montana portion of the Montana-Dakota Utilities Company's properties of the integrated natural gas system devoted to the use of the public and actually used and useful for the convenience of the public in providing natural gas service at \$34,600,000 as of December 31, 1964.

OPERATING RESULTS

The company provided exhibits showing operating results for the test year 1964. These were actual figures taken from the books and records of the company. The integrated system's revenue deductions or expense items were allocated to Montana on the same basis as the plant allocation described above. The one exception being that the 38.9887% figure was applied also to the variable revenue deductions of the Gathering, Transmission and Underground Storage section of the gas plant of the integrated system. The 40.7243% being applied only to the fixed revenue deductions of the Gathering, Transmission and Underground Storage section gain the Commission finds no fault with this manner of allocation.

From exhibits entered by the company, the Commission finds that for the year 1964 the actual figures were operating revenues, \$6,893,141, operating revenue deductions including depreciation and income taxes, \$6,068,316, and earnings of \$829,825. This would result in a rate of return of 2.40%. This of course is a deficient rate of return and Indicates the need for immediate rate relief for the company.

The company made several projections into the future, some as far as 1968. It also projected the actual 1964 experience as if known expense increases, including those of 1965, and as if year end customers had been effective during the test year 1964.

The protestants objected strongly to the manner in which these projections were developed. The Commission does not find favor with any of these projections and will use the actual results for the year 1964 as a basis for this order just as it did in developing the present fair value of the company's Montana properties.

In reviewing the operating results, the Commission found the revenue deductions to be reasonable and in line with normal accounting practices, with one exception. The Commission finds that the company has been charging depreciation expense on Contributed Plant. While the amount in this case is small, the Commission has not allowed this previously and will not do so in the present case.

The Commission finds that if the following rate schedule had been in effect for the test year 1964, the company would have earnings of approximately \$1,910,000. This would have resulted in a rate of return of 5.52% on the present fair value of the company's Montana natural gas properties as of December 31, 1964, as determined by this Commission.

The rate schedule is as follows:

Rate

First 10 MCF per month \$.85 per MCF
Next 20 MCF per month .71 per MCF
Next 70 MCF per month .66 per MCF
Next 100 MCF per month .55 per MCF
Over 200 MCF per month .45 per MCF

Minimum Bill: \$2.55 per month

Prompt Payment Discount: None. Bills are due when rendered and become delinquent if not paid within ten days.

The company in its petition requested that it be allowed to file rate schedules that would over a period of year's result in a final uniform rate. The Commission is in agreement with this procedure and will so order.

The Commission has long supported uniform rates for integrated systems and would feel derelict in its duties if it did not do so in this instance. Re Montana-Dakota Utilities Co. (1949) 78 PUR (NS) 33, 50; Re Montana Power Co. (1953) 1 PUR 3d 167, 10 PUR 3d 161, 131 Mont. 104, 308 P 2d 633; Re Montana Power Co. (1962) 42 PUR 3d, 241, 273; 55 PUR 3d, 314; 394 Pac 2d, 856; 85 SC 891.

The Commission finds that the rate schedule set forth above, when finally applied, will result in rates that are fair, just, equitable and non-discriminatory.

The Commission further finds that large users, those using over 50,000,000 cu. ft. annually, should be served only on the basis of special contracts subject to the approval of this Commission. The Commission's reasoning in this is that it is the large user who is in a position to utilize other fuels in times of short gas supply. It is even more important to control the amount of gas to be used by future large users. It is the people who have first call on available natural gas. It is entirely possible that under

a rate schedule large users could consume a major portion of the natural gas supply.

It is with these thoughts in mind, that the Commission insists upon large users being furnished service by special contracts subject to the approval of the Commission This same policy has been followed in regards to the other large gas utilities in Montana.

CONCLUSION

The Commission concludes that the applications of the Montana-Dakota Utilities Company for an increase in natural gas rates in the territory served by the company in the State of Montana, and in the Vicinities thereof end for an increase in natural gas rates at Saco, Montana and Vicinity should be granted in part as hereinafter ordered.

Therefore, from the evidence and for the reasons stated above, the Commission makes the following:

FINDINGS OF FACT

1. That Montana-Dakota Utilities Company is a public utility furnishing natural gas service in the State of Montana, and is subject to the jurisdiction and authority of this Commission.

2. That the present fair value of the Montana portion of the company's integrated natural gas system proper ties actually used and useful for the convenience of the Montana public is \$34,600,000 as of December 31, 1964.

3. That the present schedule of rates and charges produced earnings of \$829,825 during, the test year 1964.

4. That earnings of \$829,825 produced a rate of

return of 2.407. on the present fair value of the company's properties of \$34,600,000 as of December 31, 1964.

5. That the existing rates and charges provide the company with a deficient rate of return and that rate to relief is needed by the company.

6. That the final uniform schedule of rates and charges set forth herein below would have provided earnings of the approximately \$1,910,000 if applied to the test year 1964.

7. That earnings of approximately \$1,910,000 would have produced a rate of return of 5.52% on the fair value of the company's properties as set forth in (2) above.

8. That customers using in excess of 50,000,000 cu. ft. of gas annually should be served by special contract subject to the approval of this Commission.

O R D E R

NOW THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its offices in the Old Governor's Mansion, Helena, Montana, on May 18, 1966, there being present Chairman Louis G. Boedecker, Commissioner Ernest C. Steel and Commissioner Paul T. Smith, there regularly came before the Commission for final action, the matters and things in Dockets Nos. 5447 and 5472 and the Commission being fully advised in the premises;

IT IS ORDERED that the Montana-Dakota Utilities Company be, and it is hereby authorized to file interim schedules of rates and charges which will result in a uniform rate being placed into effect in all of the territory served by it with natural gas service in the State of Montana. The uniform final schedule of rates and charges to be filed shall be as follows: Rate:

First 10 MCF per month @ \$.85 per MCF
Next 20 MCF per month @ .71 per MCF
Next 70 MCF per month @ .66 per MCF

Next 100 MCF per month @ .55 per MCF
Over 200 MCF per month @ .45 per MCF

MINIMUM BILL: \$2.55 per month

PROMPT PAYMENT DISCOUNT: None. Bills are due when rendered and become delinquent if not paid within Ten days.

The interim schedules shall be as follows:

Interim General Gas Service

For use in:

Carlyle, Fairview, Forsyth, Glendive, Hardin, Ismay, Miles City, Rosebud, Savage, Sidney, Terry and Wibaux.

Term:

This rate is available from July 1, 1966 to June 30, 1967.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	.854 per MCF
Next 4,000	.704
Next 20,000	.654
Next 70,000	.594
Next 100,000	.504
Over 200,000	.454

Minimum bill: \$ 2.55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Carlyle, Fairview, Forsyth, Glendive, Hardin, Ismay, Miles City, Rosebud, Savage, Sidney, Terry and Wibaux.

Term:

This rate is available from July 1, 1967 to June 30 1968.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 10,000 cu. ft. per month .854 per MCF

Next 20,000 " " " " .684 " "

Next 70,000 " " " " .634 " "

Next 100,000 " " " " .534 " "

Over 200,000 " " " " .454

Minimum bill: 2.55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Belfry, Billings, Bridger, Edgar, Fromberg, Joliet, Laurel, Park City, Silesia and in the immediate vicinity of them.

Term

This rate is available from July 1, 1966 to June 30, 1967.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 3,000 cu. ft. per month \$.85 per 1,000 cu.ft.

Next 3,000 " " " " .80

Next 24,000 " " " " .55

Next 30,000 " " " " .40

Next 140,000 " " " " .35

Over 200,000 " " " " .34

Minimum Bill: \$2.55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Belfry, Billings, Bridger, Edgar, Fromberg, Joliet, Laurel, Park City, Silesia and in the immediate vicinity of them.

Term:

This rate is available during the period from July 1, 1967 to June 30, 1968.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month \$.85 per 1,000 cu.ft

Next 24,000 " " " "	.70 " " " "
Next 70,000 " " " "	.50
Next 100,000	.45
Over 200,000	.40

Minimum Bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Fort Peck, Frazer, Nashua, Poplar, Richey, Wolf Point and in the immediate vicinity of any of them.

Term:

This rate is available during the period from July 1, 1966 to June 30, 1967.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 3,000 cu. ft. per month	.85 per 1,000 cu.ft.
Next 7,000	.75
Next 90,000	.59
Next 140,000 " " " "	.50
Over 200,000 " " " "	.40

Minimum bill: \$2.55 per month
Prompt payment discount:
None - Bills are due when rendered and become delinquent
if not paid within ten days.

Interim General Gas Service

For use In:

Fort Peck, Frazer, Nashua, Poplar, Richey, Wolf Point
and in the immediate vicinity of any of them.

Term:

This rate is available during the period from July 1,
1967 to June 30, 1968.

Availability: Gas may be used for all purposes except for resale
subject to the special terms and conditions to be filed herewith.

Rate:

First 3,000 cu. ft. per month	\$.85 per 1,000 cu.ft.
Next 7,000	.77
Next 20,000	.57
Next 70, 000	.62
Next 100,000	.50
Over 200,000	.41

Minimum bill: \$2. 55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent
if not paid within ten days.

Interim General Gas Service

For use in:

Glasgow, Hinsdale, Malta and in the immediate vicinity of any of
them.

Term:

This rate is available from July 1, 1966 to June 30, 1967.

Availability: Gas may be used for all purposes except for resale
subject to the special terms and conditions to be filed herewith.

Rate:

First 3,000 cu. ft. per month	\$.85 per 1,000 cu.ft.
Next 12,000 " " " "	.64 " " " "
Next 85,000 " " " "	.55 " " " "
Next 100,000 " " " "	.50 " " " "
Over 200,000 " " " "	.40 " " " "

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Glasgow, Hinsdale, Malta and in the immediate vicinity of any of them.

Term:

This rate is available during the period from July 1, 1967 to June 30, 1968.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 3,000 cu. ft. per month \$.85 per 1,000 cu.ft.

Next 7,000	.77
Next 20,000	.68
Next 70,000	.63
Next 100,000	.50
Over 200,000	.41

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Baker

Term:

This rate is available from July 1, 1966 to June 30, 1967.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

First 6,000 cu. ft. per month	\$.29 per MCF
Next 14,000	.28
Next 40,000	.26
Next 40,000	.22
Next 100,000	.21
Over 200,000	.20

Minimum bill: \$2.00 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Baker

Term:

This rate is available during the period from July 1, 1967 to June 30, 1968.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month \$.35 per mcf

Next 14,000 " " " "	.32 " "
Next 40,000 " " " "	.30 " "
Next 40,000 " " " "	.26 " "
Over 100,000 " " " "	.25 " "

Minimum bill: \$2.10 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Baker

Term:

This rate is available during the period from July 1, 1968 to June 30, 1969.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month \$.40 per mcf

Next 14,000 " " " "	.37 "
Next 40,000 " " " "	.35 "

Next 40,000 " " " "	.32 "
Over 100,000 " " " "	.30 "

Minimum bill: \$2.40 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Baker

Term:

This rate is available during the period from July 1, 1969 to June 30, 1970.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.46 per mcf
Next 14,000 " " " "	.43 "
Next 40,000 " " " "	.41 "
Next 40,000 " " " "	.39 "
Over 100,000 " " " "	.37 "

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Baker

Term:

This rate is available during the period from July 1, 1970 to June 30, 1971

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.53 per mcf
Next 14,000 " " " "	.50 " "
Next 40,000 " " " "	.48 " "
Next 40,000 " " " "	.46 " "

Over 100,000 " " " " .40 " "

Minimum Bill: \$2.55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Baker

Term:

This rate is available during the period from July 1, 1971 to June 30, 1972.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.61 per mcf
Next 14,000 " " " "	.58 " "
Next 40,000 " " " "	.56 " "
Next 40,000 " " " "	.54 " "
Next 100,000 " " " "	.52 " "
Over 200,000 " " " "	.45 " "

Minimum bill: \$2.55 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

Baker

Term:

This rate is available during the period from July 1, 1972 to June 30, 1973.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.70 per mcf
Next 14,000 " " " "	.67 " "
Next 40,000 " " " "	.65 " "
Next 40,000 " " "	.63 " "
Next 100,000 " " " "	.55 " "
Over 200,000 " " " "	.45 " "

Minimum bill: \$2.55 per month
 Prompt payment discount

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
 Baker

This rate is available during the period from July 1, 1973 to June 30, 1974.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith,

First 3,000 cu. ft. per month	\$.85 per mcf
Next 7,000	.80
Next 20,000	.71
Next 70,000	.66
Next 100,000	.55
Over 200,000	.45

Minimum bill: \$2.55 per month
 Prompt payment discount: None -Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in: Saco:
 This rate is available from July 1, 1966 to June 30, 1967.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.29 per mcf,
Next 44,000	.23
Next 50,000	.21
Next 100,000 " " " "	.19
Over 200,000 " " " "	.17

Minimum bill: \$2.00 per month

Prompt payment discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

Term:

This rate is available during the period from July 1, 1967 to June 30, 1968.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.33 per mcf
Next 44,000 " " " "	.27 " "
Next 50,000 " " " "	.25 " "
Next 100,000 " " " "	.23 " "
Over 200,000 " " " "	.21 " "

Minimum bill: \$2.00 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

This rate is available during the period from July 1, 1968 to June 30, 1969.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.38 per mcf
Next 44,000 " " " "	.32 " "
Next 40,000 " " " "	.30 " "
Next 100,000 " " " "	.28 " "
Over 200,000 " " " "	.26 " "

Minimum bill: \$2.25 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

Term:

This rate is available during the period from July 1,
1969 to June 30, 1970.

Availability Gas may be used for all purposes except for resale
subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.44 per mcf
Next 44,000 " " " "	.37 " "
Next 50,000 " " " "	.35 " "
Next 100,000 " " " "	.33 " "
Over 200,000 " " " "	.31 " "

Minimum bill:

\$2.55 per month

Prompt payment discount: None - Bills are due when rendered and
become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

Term:

This rate is available during the period from July 1,
1970 to June 30, 1971.

Availability: Gas may be used for all purposes except for resale
subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu, ft. per month	\$.51 per ".cf
Next 44,000 " " " "	.43 " "
Next 50,000 " " " "	.41 " "
Next 100,000 " " " "	.39 " "
Over 200,000 " " " "	.37 " "

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and
become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

This rate is available during the period from July 1, 1971 to June 30, 1972.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.58 per mcf
Next 44,000 " " " "	.51 "
Next 50,000 " " " "	.49
Next 100,000 " " " "	.47
Over 200,000 " " " "	.45

Minimum bill: \$2.55 per month

Prompt payment discount:
None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:
Saco

This rate is available during the period from July 1, 1972 to June 30, 1973.

Availability: Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

Rate:

First 6,000 cu. ft. per month	\$.66 per mcf
Next 44,000 " " " "	.60 " "
Next 50,000	.57
Next 100,000 " " " "	.55 " "
Over 200 000 "	.45

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

Interim General Gas Service

For use in:

This rate is available during the period from July 1, 1973 to June 30, 1974.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions to be filed herewith.

First 10,000 cu. ft. per month	\$.75 per mcf
Next 20,000 " " " "	.66 "
Next 70,000 " " " "	.65 "
Next 100,000 " " " "	.55 "
Over 200,000 " " " "	.45 "

Minimum bill: \$2.55 per month

Prompt payment discount: None - Bills are due when rendered and become delinquent if not paid within ten days.

IT IS FURTHER ORDERED that all customers using in excess of 50,000,000 cubic feet of gas annually shall be served by special contracts subject to the approval of this Commission.

IT IS FURTHER ORDERED that the first interim schedules shall be placed in effect on all gas sold and delivered on and after July 1, 1966.

IT IS FURTHER ORDERED that the final uniform rate shall be placed into effect on all gas sold and delivered on or after July 1, 1968 except at Baker and Saco where the final uniform rate shall be in effect on all gas sold and delivered on or after July 1, 1974.

IT IS FURTHER ORDERED that a full, true and correct copy of this Order be sent forthwith by first-class United States mail to the applicant and all appearances herein.

The foregoing Order was adopted by the Public Service Commission of the State of Montana. Commissioner Steel and Commissioner Smith voting for the Order.

DONE in open session at Helena, Montana, this 18th day

of May, 1966.

ERNEST C. STEEL, Commissioner

PAUL T. SMITH, Commissioner

ATTEST

Catherine DuBois
Secretary
(Official Seal)

Chairman Boedecker voting to deny the Order.

My dissent to this order is principally based upon the fact that I do not concur in the majority's approach to the determination of the amount of the revenue requirements.

This proceeding presented the Commission directly with the question of determining the treatment to be ascribed, for rate making purposes, to specific provisions of the Internal Revenue Acts relating to Liberalized Depreciation and Investment Tax Credit.

The impact of the treatment of these provisions for rate making purposes is not limited to application in this

proceeding but also in succeeding proceedings concerning m Montana-Dakota Utilities Company as well as those involving other utilities regulated by this Commission.

The issues in question, Liberalized Depreciation and Investment Tax Credit, were established by the Federal Government as part of its fiscal policy to stimulate and encourage investment. The acts provide: (1) That methods other than straight line depreciation may be used to depreciate additions made to plant. If these liberalized methods are employed which concentrate depreciation in the early life of the plant, resulting in larger initial allowances, the firm is able to reduce its current tax liability; (2) An Investment Tax Credit--the Revenue Act of 1962 provided for an investment credit

for regulated public utilities generally equal to a maximum of 3% of the cost of certain depreciable assets acquired and placed into service after December 31, 1961.

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For rate making purposes these provisions of the

Internal Revenue Acts were not a congressional mandate to all regulatory agencies to apply a specific method of treatment but rather was left to their discretionary power to regulate rates Insofar as utility rate making is concerned, utilities, as distinguished from unregulated business, are already under compulsion to meet specific service demands and have an obligation to provide adequate service and facilities. Therefore, the specific incentives provided in the acts should be reconciled with the general scheme of regulation.

The principal issue for regulatory bodies to determine is the distribution of the benefits derived from the use of Liberalized Depreciation and Investment Tax Credits, that is, whether the benefits should inure to the utility, the ratepayer, or a combination thereof. I am inclined to believe that a major portion of the benefits should inure to the ratepayers The Commission should be flexible, within prescribed limits, in its approach to these issues, enabling it to adapt to the particular requirements involved, thereby providing an individualized determination.

Rather than develop herein the various means which have been employed in the treatment of Liberalized Depreciation and Investment Tax Credits for rate making purposes, I will confine my remarks to the method or methods which in my opinion provide an acceptable approach to the problem.

We should recognize in treating liberalized depreciation reserves, the absence of any cost to the utility in acquiring these funds. The reserve represents funds, which are interest

free and internally generated, thereby reducing the amount of Capital requirements that would have to be obtained from external sources. The return on these funds should be limited, thereby enabling the customer to participate in the benefits, either by excluding the Reserve for Liberalized Depreciation from the rate base or by treating these reserve funds as a component of the capital structure in determining the cost of capital in arriving at the rate of return to be applied. In this proceeding I maintained that the Reserve for Liberalized Depreciation should be excluded from the rate base.

With respect to the treatment of the Investment Tax

Credits, for rate making purposes, it does not appear reasonable that the ratepayers should be required to make capital contributions to the utility, which essentially occurs if not treated

differently. In order to allow the customers to participate in the benefit the credits should be treated, in my opinion, by either of the following methods: (1) For any given investment credit the revenue requirements should be reduced over the service

life of the related additions by means of a series of credits spread over the life of the assets through what is in form or effect a reduction in the annual depreciation charges proportional

to the reduction in net cost; (2) Exclude the total amount of the investment tax credits received from the rate base.

In this proceeding I maintained that the total amount of the Investment Tax Credits should be excluded from the rate base.

LOUIS G. BOEDECKER , Chairman